QUEST *Invest with Experience*

Concentrated

Portfolio Features

Inception	9 February 2005
Benchmark Index	S&P/ASX300 Accumulation Index
No of holdings	35 (Maximum 35)
Investment horizon	3 - 5 years
Investment Strategy	Fundamental with a focus on business quality and free cash flow
Derivatives/Shorting	Nil
AFSL	279207
Lonsec Rating	Reviewed and Rated by Lonsec

Stock Performance October 2026

POSITIVE	
Siteminder	+25%
Challenger	+18%
Pinnacle	+16%
Light & Wonder	+15%
QBE	+12%

NEGATIVE	
Maas Group	-46%
PLS	-32%
Sth Cross Electrical	-20%
Megaport	-15%

Concentrated Portfolio October 2026

The Australian market rose +1.1% in October, one of the few winners in a month when the AI trade came apart. The Dow rose +1.7%, but the **S&P 500** fell -0.9% and the tech-heavy **Nasdaq** -5.3%. **Korea** collapsed -16%, **China** -7% and **Japan** -5%. Bond markets whipsawed: the US 10-year touched 5.36% in early October, its highest since 2002, then fell heavily on fears of an AI capex slowdown. Australia's 10-year also fell, despite a hot inflation print and hawkish RBA talk. The Australian dollar rose +1% to US$0.70.

The global AI sell-off was about who pays for the build-out, with Firmus' failed IPO a watershed. Borrowing costs rose decisively for neoclouds, sending their shares tumbling. Meta's move to fund its spending partly with new equity added to the worry. This funding reset is unlikely to signal the end of AI, since demand is still growing strongly, but borrowed money now has a higher price. As AI retreated, software stocks resurged.

The Quest portfolio returned 0.3% but lagged the benchmark. Investors rushed to defensives. **Utilities** +9% led along with **Consumer Services** +9%, **Banks** +8% and **Insurers** +8%. Mining -9% was the worst sector, hit by the AI sell-off, higher diesel costs and pressure on **resources,** particularly lithium. NextDC collapsed -46% on a guidance cut, linked to opposition to its Melbourne DC plans. Uranium names, seen as AI proxies, fell along with copper stocks. Brent rose +16% and LNG +41%, while gold fell -7% and iron ore -3%.

Our winners were broadly based and mostly offset our pressured small cap and AI exposures. Siteminder and Light & Wonder bounced hard from their lows. Pinnacle, QBE, Life360 and Charter Hall were also firm. Challenger received a takeover bid from major shareholder Daiichi Life. The drags were AI-linked and lithium names. Not owning Utilities, Insurers and other defensives, a significant part of the benchmark, also hurt.

Parts of the AI value chain are currently pressured, but it is clear there is no slowing of AI scope, use and innovation. One area ripe for change is connecting with consumers. Shopping via agentic agents is currently at an early stage, but Boston Consulting Group reported in October that 68% of major global retailers expect agentic commerce to have a *significant or transformative* effect within two years. Unprecedented upheaval for many aspects of commerce is a reasonable expectation.

Performance*

To 31 October 2026	1 month	3 months	1 year	3yrs (pa)	5yrs (pa)	10 yrs (pa)	15yrs (pa)	Since inception (pa)
Quest Aust Equities Concentrated	**+0.3%**	**+0.6%**	**+0.1%**	**+7.9%**	**+5.9%**	**+10.7%**	**+11.1%**	**+10.9%**
ASX300 Accumulation index	+1.1%	+0.2%	+3.1%	+13.2%	+7.7%	+9.3%	+9.2%	+7.9%
Value added	-0.8%	+0.4%	-3.0%	-5.3%	-1.8%	+1.4%	+1.9%	+3.0%

*Returns before fees and tax. **Past performance is no guarantee of future performance**. Individual returns will differ for investors, depending on when the initial investment was established and the timing of any additional investments or redemptions. Inception date is October 2024.

PORTFOLIO ACTIVITY

The RBA reaches for tough love

The RBA's cash rate is a blunt instrument, and it has now reached a level where pain is being felt. The assumed productivity boost that could have provided less painful financial constriction has not materialised. With strong migration, government spending, energy shortages and robust resources demand all adding to price pressures, bringing inflation back under control calls for tough love. After five rises and clear signs of pain, our bond market is pricing the next RBA move is a cut.

Exposing imbalances

Higher rates fall unevenly. Only around one-third of households carry a mortgage, so the burden of tightening is concentrated on a minority while outright owners and savers are largely insulated or even better off. Political dissatisfaction is therefore unsurprising. Against this backdrop, reducing the AI investment frenzy and extending the build out duration is welcome.

Portfolio positioning

We have positioned the portfolio towards REITs with holdings in **Goodman Group** and **Charter Hall**, which stand to benefit should bond yields ease, rather than discretionary retailers. Retailers have yet to report the full impact of softer sales and the discounting likely needed to entice customers back through the door (or portal). We expect earnings risk in the sector to continue to emerge over coming reporting periods, especially with margins still above pre Covid levels.

We have realised gains from the **Woodside** investment during the month as well as further **BHP** profits. Copper demand for AI investment was a key factor in BHP's 50% rally since mid-2025. The share price collapse in DC provider **NEXTDC** due to consumer backlash over nearby power lines provided an optimistic entry late in the month. The rationale was the ability to invest 20% below historical cost of their established DC fleet. NEXTDC was mostly funded from **Maas Group**. We also added to the **CBA** and **Challenger** holdings.

INVESTMENT PROFILE

The Quest Australian Equities Concentrated Portfolio is a Separately Managed Account (SMA), actively managed by Quest Asset Partners Pty Limited. Our objective is to outperform the S&P/ASX300 Accumulation Index. The SMA structure allows the investor to retain beneficial ownership of the portfolio while maximising transactional and tax visibility.

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